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SUMMARY OF CONTENTS

"Suppression of Counter-Revolutionaries" in Communist China — Page 1

The Peiping regime has admitted the execution of more than 50,000 "counter-revolutionaries," but the true total is probably many times higher. The current campaign, indicating the leadership's confidence in the security of its position, aims at the systematic intimidation of the populace as a whole. The campaign is expected to be a permanent feature of China's "new democracy," and to claim several million victims in the next few years.

Britain Seeks Middle East Defense Pact — Page 3

Britain is now proposing an integrated allied command headquarters for a Middle East theater of operations as a means of augmenting her own resources without relinquishing her traditional paramount position. The organization envisaged would initially include Turkey, France, the US and Britain, with certain Commonwealth countries, Egypt, and perhaps some other Middle East countries joining later.

The Economic Significance of Eastern Europe to the USSR — Page 5

The Satellite area, especially the industrially important countries of East Germany, Czechoslovakia, Hungary and Poland, is making an important and growing contribution to the economic war potential of the Soviet Orbit. The concerted attempts to industrialize the area at an accelerated pace despite major deficiencies in materials and skilled manpower make it vulnerable to Western economic measures.

Free World Reaction to Draft Japanese Treaty — Page 9

A joint US-UK draft treaty of peace with Japan, released for publication on 12 July, has provoked reaction ranging from violent, angry opposition in the Philippines to relative apathy in Latin America. Despite initial reservations on the part of

several nations, however, it seems probable that all the 46 non-Communist nations that have been invited to the peace conference in San Francisco will attend, although the presence of Burma, India and the Philippines is still not certain.

Steps Taken to Prevent Panama Flag Vessels from Engaging in Trade with China Page 13

Gradual progress is being made in eliminating Panama flag shipping from the China trade.

"Suppression of Counter-Revolutionaries" in Communist China

More than 500,000 people--at least one out of every thousand Chinese--have been executed in less than six months of the campaign against "counter-revolutionaries" launched by the Peiping regime in February in an effort to intimidate the Chinese people. The toll may well reach one million by the end of 1951.

The unprecedented publicity given the campaign leaves little doubt that it was aimed at the people themselves, rather than at dissident groups. The Communist press and radio now admit that 50,000 "hostiles" have been liquidated, but their figures cover only certain cities, whereas the campaign has been nationwide and has probably struck hardest at the countryside, where four-fifths of China's people live.

The "Regulations Governing the Punishment of Counter-Revolutionaries," published over the signature of Mao Tse-tung in February, were the signal for a great expansion of official terrorism. Such a development was predicted and authorized by Mao as early as July 1949, when, in his exegesis of the "people's democratic dictatorship," he asserted the need for "suppressing counter-revolutionary and reactionary elements of all types."

The Common Program adopted by the People's Consultative Conference, which set up the Peiping regime in autumn 1949, called upon the new government to suppress all counter-revolutionary activities, i.e., any activities which the regime's leaders might choose to regard as indicating opposition. The February 1951 regulations specify the death penalty for such crimes as subversion of officials, instigation of armed insurrection, espionage and sabotage, and for such offenses as currency manipulation, dissemination of rumors, and attempting to leave the country. Subsequent Communist statements are frank in admitting that a "counter-revolutionary" is any person regarded as "hostile to the people," which, in Communist parlance, means anyone opposed to the regime.

The "suppression of counter-revolutionaries" campaign is largely distinct from the "bandit-suppression" campaign--in which Peiping claims to have liquidated more than one million anti-Communist guerrillas--and from such other operations aiming at the consolidation of Stalinist control as the current prunes of the Chinese Communist Party and the puppet parties associated with it in the regime. While bandit leaders and certain Communist and puppet party figures qualify as "counter-revolutionaries," the current campaign is directed not against any particular group or groups but against the Chinese people as a whole.

Strictly speaking, the current campaign is not a security operation. Contrary to widespread speculation that the campaign was an *ad hoc* measure designed to deal with increased anti-State activities, the campaign in fact has increased in direct proportion to the stability of the regime.

The present campaign was launched only after the Peiping regime was firmly in control of the country, and the campaign is evidence not of the regime's weakness but of its strength.

During the period of extension and early consolidation of Communist control in China, the Communist leadership adopted a lenient and conciliatory policy toward opposition elements. By the end of 1950, however, the leadership was in a sufficiently secure position to proceed with the next stage in the standard operating procedure of a Communist revolution, the suppression of actual and suspected opposition and the systematic intimidation of the populace as a whole.

There are indications that the "suppression of counter-revolutionaries" campaign has passed its high point, and that the most easily identified opponents of the regime have been eliminated. Whereas Communist figures earlier in 1951 indicated that about half of those arrested were executed, in recent weeks the percentage of those executed is much lower, with the majority receiving sentences of hard labor. Nevertheless, thousands of persons are still arrested daily, and public statements emphasize that the campaign must continue indefinitely.

One Communist spokesman, who declared that the purge must go on so long as external enemies of the regime exist, came close to admitting the truth. Continuous and officially-incited persecution of actual and alleged opposition elements is an essential part of the operation of a Communist state. The "suppression of counter-revolutionaries" campaign is certain to be a permanent feature of China's "new democracy," and several millions of Chinese are expected to fall victim to it in the next few years.

Britain Seeks Middle East Defense Pact.

Britain is now trying to create an international defense organization for the Middle East as a means of augmenting the limited UK resources for the protection of the area without relinquishing its traditional paramount position. As proposed by British Foreign Secretary Morrison to Turkey early in July, the organization would take the form of an integrated allied command headquarters, similar to SHAPE, and initially composed of Turkey, France, the US, and Great Britain.

This headquarters would in effect be an extension of present British arrangements in the Middle East, and would probably be commanded by a British officer. Later phases in its development would bring in South Africa, Australia, New Zealand, and, it is hoped, Egypt. Britain has also indicated a desire for the eventual participation of certain other Arab States and Israel, should their bitter rivalries permit.

Such an arrangement, Britain hopes, would realize the long-sought goal of a stable regional defense combination for the Middle East, the area which to the UK is strategically only less vital than the home defense zone of Western Europe. The British see the basic problem in the Middle East as markedly different from that of the home defense zone in that a number of the powers with vital Middle East strategic interests are located thousands of miles away, and have few economic or cultural ties with the area.

British officials therefore wish to restrict the negotiations for any Middle East combination entirely to military questions, and to avoid the delicate political issues which would arise in any effort to secure a broader association of the states interested in the area. They also hope that a multilateral approach will surmount the obstacles of anti-British sentiment and local rivalries which have persistently handicapped independent UK efforts.

Thus, Britain hopes that a Middle East joint headquarters could find some way to reach an agreement with Egypt on the vital problems of the defense of Suez and of rights to bases. The present defense set-up, in the light of the controversy over the Anglo-Egyptian Treaty, is forced to operate under highly unsatisfactory political conditions. The proposed organization would at the same time offer a means of integrating Commonwealth contributions to the defense of Middle East, which Britain regards as vital to the preservation of the Commonwealth as a political entity.

The late June conference of Commonwealth Defense Ministers in London concentrated on this question, and the UK was able to persuade South Africa to reaffirm a commitment to join in measures concerning the Middle East, and apparently made some progress in persuading Australia that its vital interests are still involved in the Middle East, as well as in the Pacific.

The relationship between the proposed organization and NATO would be loose, since the former would eventually include several states not members

of the Atlantic Council, and since NATO might view with suspicion any move which appeared to broaden the geographical extent of its security commitments. However, a measure of coordination would be insured through the dual membership of three key powers and through overlapping British commands in the Middle East and the Eastern Mediterranean.

Britain has launched its effort to develop a new theater of allied joint operations in the Middle East coincidentally with discussion of the US proposal to admit Greece and Turkey to NATO, and at a time when British prestige in the Middle East is at a low ebb. The British proposal is thus timed to gain the adherence of Turkey in return for British support of the Turkish claim to enter NATO, and to engage the support of the US as a logical development of the US position on the strategic importance of Turkey. Meanwhile, however, Britain has served notice of her intention to maintain a paramount position in the Middle East by steadfastly insisting upon a separate Eastern Mediterranean naval command under NATO, with a British officer at its head.

The Economic Significance of Eastern Europe to the USSR.

The European Satellites are making a significant contribution to the economic war potential of Soviet Russia. Their value to the USSR is increasing as planned goals for industrial development are attained, as the various segments of the economies become more integrated, and as shipments to the Soviet Union grow in volume.

The USSR obtains from the Satellite countries goods, services, and technicians, and in addition it utilizes Satellite transportation facilities. Among the most important goods supplied by the Satellites are chemicals, fabricated steel products, uranium, petroleum, coal and industrial equipment. Approximately 50 per cent of the total annual production of the engineering industries of East Germany, Czechoslovakia, Hungary and Poland is exported to the USSR. In 1950 the Satellites, led by Eastern Germany, supplied about two-thirds of the uranium ore and concentrates produced in the Soviet bloc.

Soviet formulation and direction of Satellite planning, implemented largely through the Council of Economic Mutual Assistance, constitute the most important means by which the USSR assures an increasing contribution to its war potential from these countries. By promoting specialization of production, increasing trade between the various Satellites in items so produced, making the various economies dependent on the USSR for essential materials and markets, and discouraging trade with the West, both Soviet economic domination and the Soviet military-economic potential are strengthened.

Through national and regional plans, the USSR sets annual and long-term production schedules and dictates the categories and quantities of goods to be produced by the Satellites. Coordination of plans at all levels and their integration into the Russian economic program are assured by Soviet allocation of materials to implement production schedules and by the direct participation of Soviet personnel in Satellite economic activities. This control pattern has been increasingly apparent since 1948, when the Soviet Union sharply modified its policy toward the Satellites from one of looting and short-term exploitation to one of building up the economy of the area as a whole in order to obtain long-term benefits.

Under Soviet direction, an increasing portion of the national income of the Satellites is being allocated to capital investment. In Czechoslovakia over 40 per cent of the national investment projected in the Five-Year Plan is to be in industry. The planned rate of industrial development is approximately uniform throughout the Satellite area, but Albania, Bulgaria and Rumania have been unsuccessful in meeting Plan goals for industrialization. East Germany, Czechoslovakia and Poland, on the other hand, are rapidly expanding and coordinating their industrial capacity into an Eastern European "Ruhr." Polish industry, for example, is to account for 60 per cent of the national income in 1955.

Soviet domination of Satellite finance and foreign trade permits the Satellites to import, from the USSR, or wherever the USSR may direct, the capital goods and raw materials necessary for industrialization. The industries developed, however, are those that can contribute most to Soviet war material.

The Satellite area has a number of economic drawbacks limiting its usefulness to the USSR. Such important raw materials as iron ore, copper, lead, zinc, tin, cotton, wool and rubber are largely unavailable locally. The USSR, because of its own needs, is not providing the Satellites with industrial materials and equipment in sufficient volume to develop a broad industrial base. The stress on heavy industry is resulting in a lack of consumer goods, low living standards, inflation and widespread popular discontent.

The Satellite area is vulnerable to Western economic measures because of the attempt to industrialize at an accelerated rate in the face of serious deficiencies of raw materials, capital, equipment, and technical and managerial skills. This industrialization program has, therefore, greatly increased dependence on Western imports, as may be seen in the concerted Satellite effort to obtain from the West, legally or otherwise, materials and equipment that are in short supply in the Orbit.

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Free World Reaction to Draft Japanese Treaty

The "conciliatory" draft peace treaty for Japan, published on 12 July by its sponsors, Britain and the United States, brought reactions which ranged from the violent and angry opposition of the Philippines to the apathy of Latin America.

Opposition to the treaty, where it existed, arose from the draft's failure to demand heavy Japanese reparations, and from the fear that it did not provide adequately against future Japanese aggression.

Despite the initial reservations of several nations, a more objective viewpoint seems to be emerging—the sole exception being the Philippines, where feeling still runs high. It seems likely that all 46 non-Communist nations invited to the conference in San Francisco on 4 September will attend, although the presence of Burma, India and the Philippines is still uncertain.

The Communist Orbit, as expected, let forth a vitriolic stream of denunciation, probably aimed at intimidating the Asiatic nations, and endlessly repeated the familiar charges that the treaty was illegal and that it was designed to turn Japan into a base for US aggression.

Reaction, both official and unofficial, among certain non-Communist nations was as follows:

Japan

The press generally considered the treaty fair and devoid of harsh terms, a feeling possibly based on relief over the lack of restrictive industrial provisions and at the prospects of an early treaty. Unanimous regret, however, was expressed over the loss of the "historically Japanese" islands, the Kuriles, Ryukyus, and Bonins. Opposition political parties are already exploiting this loss, the only provision which might generate anti-US feeling in the post-treaty period. Some disappointment also was expressed over the inclusion of a limited reparations clause, and a latent concern has been expressed that the treaty might alienate some Asiatic nations on whom Japan depends for much of its trade.

The British Commonwealth

In the UK, most editorial comment has been relatively factual and without strong bias. Textile and commercial interests, however, are disturbed over the alleged lack of safeguards against unfair Japanese competition. The government in general has no serious reservations concerning the substantive content of the draft, but probably remains sceptical of the wisdom of the procedural compromises over the Chinese accession problem. The treaty draft leaves it to Japan to decide with which Chinese government it will sign a collateral treaty. The Atlee

government has already been severely criticized by both Labor and Conservative Members of Parliament for following too closely the US line in the treaty negotiations, and for allegedly ignoring the Peiping Government.

Conclusion of the US-New Zealand-Australia security pact removed the greatest concern of these nations in respect to Japan--fear of Japan's military resurgence. Consequently, the majority editorial comment following the draft treaty's publication indicated that, while the terms are too favorable for Japan, a soft treaty was inevitable under present circumstances. This objective view was shared generally by Government leaders. Canadian reaction generally has been similar, and the press credits the US with a "far-sighted" and "sincere" effort to return Japan to the community of nations.

France

The non-Communist press gave the draft treaty full coverage, in most cases adding no comment, although a few papers expressed disappointment that the Indochinese states were excluded or held reservations regarding the economic clauses. The French Government has officially expressed concern over the effect of the Associated States' exclusion upon the Indochinese and French troops now fighting the Communists.

25X1

Italy

Italy's exclusion from the Japanese peace treaty has caused a "crushing reaction" among Foreign Office officials, who are particularly embittered and humiliated by its leniency, in contrast to the comparatively harsh terms of the Italian peace treaty. These officials assert that the public relegation of Italy to a position of inferiority will make Italian negotiations with Japan more difficult. The complete lack of press comment suggests that the Italian public in general is not much disturbed over the development. Italy presently is inclined to end its state of war with Japan through a simple bilateral declaration.

The Philippines

Publication of the treaty in the Philippines, where anti-Japanese sentiment still remains strong, provoked a series of angry protests and demonstrations against the US, centering around the treaty's lack of provision for specific reparations payments. Both the press and the Government expressed unanimous disapproval of the draft, the Foreign Minister threatened to resign, and President Quirino stated categorically

that the Philippines would not sign the treaty in its present form. The Government, which is partially responsible for the situation because of its efforts to arouse public feeling and present unified opposition, now is having difficulty in extricating itself from an embarrassing internal political problem, and in relieving its strained relations with the US. Without much success, the Government is trying to shift public attention from the reparations issue to the problem of security against future aggression, on which it feels US assurances can more readily be obtained.

Southeast Asia

The Burmese Government, after having displayed little interest in the treaty's preparation, suddenly announced that it cannot approve any Japanese treaty which makes no provision for reparations to Burma. The chief reason for this rejection, however, appears to be fear of antagonizing Communist China.

The Indonesian language press has been generally critical of the treaty, vaguely complaining of "American influence," and reasserting Indonesia's concern over war damages and security. The Cabinet, however, has approved Indonesia's participation in the conference, although there are indications that this country, too, will press for a firmer reparations commitment from Japan.

The Associated States of Indochina, while expressing no concern on the terms of the treaty, are eager to participate as a means of elevating their international standing. As constitutional heirs of a power at war with Japan, their right to participate in the multilateral treaty would be similar to that of Indonesia.

Nationalist China

The Formosan Government, while giving general approval to the treaty provisions, took great exception to being excluded from the list of signatories. Based on the contention that China's major part in the war against Japan has been unfairly evaluated, the opinion of press, public and official circles is united in condemning in violent terms this aspect of the treaty, generally ascribed to British influence. Initial anger and disappointment appear to be abating, and the Government is now resigned to concluding a separate bilateral agreement with Japan.

South Korea

The South Korean Government, already in vociferous opposition to the Kaesong cease-fire talks, found the draft treaty further cause for alarm. Failure to include the ROK Government in the list of signatories, and failure of the treaty to provide for a clear-cut renunciation of extensive Japanese property rights in Korea, evoked critical and indignant comment by Government officials and the inspired press.

India

India's major concern with the draft treaty has been to eliminate those clauses which might give offense to the Communist nations or which might infringe upon Japan's sovereignty. With this background, the Government has called for draft recognition of Formosa's return to an unspecified China, the return of the Ryukyus, Bonins and Kuriles to Japan, and the elimination of the clause permitting the post-treaty stationing of foreign troops in Japan. India so far has not committed itself to conference participation.

Steps Taken to Prevent Panama Flag Vessels from Engaging in Trade with China.

The Panama Government is slowly responding to the US effort to gain its cooperation in curtailing the shipment of strategic war materials to Communist China. The elimination of ships under Panama registry from the Western flag merchant fleet engaged in this trade would be a substantial contribution to the effectiveness of the UN embargo.

The US suggested as early as 4 June that Panama agree to cancel the registry of any ship under its flag which called at a North Korean or Chinese Communist port. Panama could thereby avoid unfavorable publicity, which is one of its most important concerns, and could also contribute to the UN effort to meet aggression in Korea.

During June, Panama agreed in principle to cancel the registry of vessels carrying strategic materials to the prohibited ports and agreed further to examine the propriety of taking action in all cases of vessels scheduled to call at these ports. Panama authorized those US consular representatives who customarily act for Panama to pick up the registry of Panama flag vessels engaging in trade with the prohibited ports, and then to refer the case to the Panama Government for action. Assurances were given that this authority would be granted to all persons representing Panama's interests abroad. The State Department accordingly notified those US representatives to whom Panama's authorization applied. Thus far US consuls in Calcutta, Karachi and Hamburg have picked up the papers of Panamanian flag vessels loaded with cargo for Communist China.

Further Panamanian action was dilatory, however. No Panamanian consul picked up the papers of any ship under this authorization, and on 19 July it was reported that at least one Panamanian consul was still without instructions from his government. Furthermore, when the US representative in Karachi telegraphed on 6 July that he had picked up the papers of a Panama flag vessel, he received no word as to a Panama Government decision on the case until after the US State Department telegraphed "urgently requiring" precise definition of Panama's position. Thereupon, the Panama Government came to a decision that the ship, which had meanwhile sailed without its papers, should have its registry cancelled.

A decree was due to be issued the end of July to give it official force. This decree permits the consuls and consular representatives abroad to cancel registry, without further authorization, in all cases in which Panama flag vessels are transporting contraband to the Chinese Communists or North Koreans. The necessity of proving that a given ship is carrying contraband limits the effectiveness of the measure, but the transfer of the sphere of decision from the central government of Panama to the US and Panama representatives abroad should at least

facilitate action in the more obvious cases.

Ambassador Wiley hopes to persuade the Panama Government to broaden the scope of its decree in line with the original State Department suggestion for canceling the registry of all China-bound ships, irrespective of cargo. While negotiations may be protracted, results can probably be attained, given the present relatively favorable status of US-Panama relations.